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Burr, Thune Introduce Public Employee Pension Transparency Act

WASHINGTON, D.C. – Today, U.S. Senators Richard Burr (R-NC) and John Thune (R-SD) introduced the Public Employee Pension Transparency Act, legislation that will enhance transparency for state and local pensions and establish a clear federal prohibition on any future public pension bailouts by the federal government.

Congressman Devin Nunes (CA-21), Budget Committee Chairman Paul Ryan (WI-1), and Government Reform and Oversight Chairman Darrell Issa (CA-49), introduced companion legislation in the House last week.

"For too long, taxpayers and government employees have been denied information about how badly government worker pension plans are underfunded. My bill would simply shed some light on these enormous liabilities. This information is only for the purpose of public disclosure; it does not tread on the rights of states and local governments to fund and control their own pension plans," said Senator Burr. "My bill also prevents a federal bailout of state and local government pension plans, empowering local governments to make the reforms needed to ensure problems cannot be dumped on taxpayers down the road."

"State and local government pension liabilities across the country are currently being understated and taxpayers have a right to know the true dimensions of this looming problem," said Senator Thune. "It is crucial that states provide more transparency and accountability regarding their pension liabilities and take necessary steps to get their balance sheets in order."

"This legislation is about getting accurate information to government employees, retirees, policy makers, and the people who are responsible for paying the bills – namely, the American taxpayer," said Congressman Nunes.

"We need to ensure that state and local governments are accurate and honest in detailing their financial liabilities, including the cost of pension plans for public employees. The Public Employee Pension Transparency Act will make government more accountable to taxpayers by shining a light on the financial soundness and unfunded obligations associated with these plans. I'm honored to join Representatives Nunes and Issa in sponsoring this legislation in the House and am glad Senators Burr and Thune have introduced a companion bill in the Senate," said Congressman Ryan.

“Year after year, the unfunded liabilities being run-up pension liabilities is having a crippling effect on the financial health of our states and municipalities. This burden will ultimately be passed onto the taxpayers and they have a right to know the true nature of the pension liabilities they will be asked to foot the bill for. Quite frankly, if they have nothing to hide, there’s no reason why the states and local governments who control public employee pensions should not embrace this effort to ensure that the taxpayers have a more transparent accounting of the true nature of pension liabilities,” said Congressman Issa.

According to leading financial experts, the true magnitude of the debt arising from public employee pension plans is obscured from taxpayers because of rosy assumptions. Public pensions are able to calculate their liabilities using unreasonably high discount rates. In many instances, they also distort fair market value of assets in order to hide debt.

The Public Employee Pension Transparency Act will establish new transparency rules, allowing plans to report their existing financial data but also requiring them to report their methods and assumptions. Public employee pension plans will also have to report their liabilities using a uniform accounting standard that provides realistic rates of return and ties assets to more reasonable fair market valuations.

The bill also specifically states that the federal government will not assume responsibility for any current or future shortfall in a state or local authority’s pension plan. This is a clear policy statement that will help state and local governments address their very real pension problems. No longer can proponents of the status quo claim that there will be an endless source of contributions from taxpayers to keep plans running no matter how badly managed or underfunded. States will now have the moral standing to bring all stakeholders together to solve their problems. Taxpayers are stakeholders and now they will truly know what they are on the hook for in the context of those discussions.

Independent studies demonstrate that public employee pensions had approximately $1.94 trillion set aside to pay retirement benefits promised to government workers as of 2008. However, these pensions have liabilities of $5.17 trillion, which means that they are underfunded by $3.23 trillion. Ten states are projected to run out of pension funds by 2020, and the vast majority of states will have exhausted their pension funds by 2030.

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